

Annual Financial Statements

for

MFOLOZI MUNICIPALITY

for the year ended 30 June **2010**

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:

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MFOLOZI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General information

Members of the Executive Committee

CLLR TM BIYELA
CLLR JM ZULU
CLLR ME MTHETHWA
CLLR GGG MTHETHWA
CLLR BT MNQAYI
CLLR FPB MPUNGOSE

Mayor
Speaker
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee

Municipal Manager

MR MH NKOSI

Chief Financial Officer

MRS CN NGEMA

Grading of Local Authority

GRADE 2

Auditors

Auditor-General

Bankers

ABSA BANK

MFOLOZI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General information (continued)

Registered Office:	MUNICIPAL BUILDING
Physical address:	25 BREDELIA STREET MBONAMBI 3915
Postal address:	P.O. BOX 96 MBONAMBI 3915
Telephone number:	(035) 580-1421
Fax number:	(035) 580-1141
E-mail address:	nkosim@mbonambi.co.za

MFOLOZI MUNICIPALITY
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for the year ended 30 June 2010

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 33, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 16 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager

31 August 2010

MFOLOZI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

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MFOLOZI MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2010

	Note	2010	2009
		R	R
ASSETS			
Current assets			
Cash and cash equivalents	1	405 808	21 043
Trade and other receivables from exchange transactions	2	2 107 575	2 118 118
Other receivables from non-exchange transactions	3	-	24 258
VAT receivable	4	3 060 127	12 108
Non-current assets			
Property, plant and equipment	5	36 119 859	21 475 933
Total assets		41 693 368	23 651 459
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	6	19 640 560	19 268 074
Payments received in advance	7	218 513	-
Unspent conditional grants	8	4 133 015	3 055 141
Total liabilities		23 992 088	22 323 216
Net assets		17 701 280	1 328 244
NET ASSETS			
Accumulated surplus / (deficit)		17 701 280	1 328 244
Total net assets		17 701 280	1 328 244

MFOLOZI MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2010

	Note	2010	2009
		R	R
Revenue			
Property rates	9	2 201 239	2 471 798
Service charges	10	195 187	184 554
Rental of facilities and equipment	11	71 301	119 014
Interest earned - bank accounts	12	86 930	60 014
Fines		1 920 606	3 627 383
Government grants and subsidies	13	43 680 342	26 966 142
Other income	14	485 285	1 879 132
Total revenue		48 640 890	35 308 037
Expenses			
Employee related costs	15	12 651 990	13 958 895
Remuneration of councillors	16	4 377 294	4 081 229
Depreciation and amortisation expense	17	1 221 825	1 701 241
Collection costs		4 671	-
Repairs and maintenance		1 139 254	1 879 363
Finance costs	18	134 119	619 541
Contracted services	19	351 880	3 482 436
General expenses	20	12 387 811	10 892 732
Total expenses		32 268 844	36 615 437
Surplus / (deficit) for the period		16 372 046	(1 307 400)

MFOLOZI MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2010

		Accumulated Surplus/(Deficit)	Total: Net Assets
	Note	R	R
Balance at 30 June 2008		(6 026 953)	(6 026 953)
Changes in accounting policy	24	(8 298 281)	(8 298 281)
Correction of prior period error	25	14 453 391	14 453 391
Restated balance		128 157	128 157
Surplus / (deficit) on revaluation of property of property, plant and equipment			-
<i>Other items</i>			-
<i>Other items</i>			-
Prior year corrections		-	-
Surplus / (deficit) for the period		1 201 077	1 201 077
Surplus / (deficit) for the period		-	-
Balance at 30 June 2009		1 329 234	1 329 234
Surplus / (deficit) on revaluation of property of property, plant and equipment			-
<i>Other items</i>			-
<i>Other items</i>			-
Net gains and losses not recognised in the statement of financial performance			-
Transfers to / from accumulated surplus/(deficit)			-
Surplus / (deficit) for the period		16 372 046	16 372 046
Balance at 30 June 2010		17 701 280	17 701 280

MFOLOZI MUNICIPALITY
CASH FLOW STATEMENT
as at 30 June 2010

	Note	2010 R	2009 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		43 767 272	46 927 548
Taxation		-	-
Sales of goods and services		-	-
Grants		43 680 342	46 867 534
Interest received		86 930	60 014
Other receipts		-	-
Payments		27 516 756	26 445 127
Employee costs		12 651 990	11 450 418
Suppliers		12 739 691	14 375 168
Interest paid		134 119	619 541
Other payments		1 990 957	-
Net cash flows from operating activities	22	16 250 516	22 990 898
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(15 865 751)	-
Proceeds from sale of fixed assets		-	-
Proceeds from sale of investments		-	-
Purchase of foreign currency securities		-	-
Net cash flows from investing activities		(15 865 751)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Proceeds from finance lease liability		-	-
Repayment of finance lease liability		-	-
Net cash flows from financing activities		-	-
Net increase / (decrease) in net cash and cash equivalents		384 765	22 990 898
Net cash and cash equivalents at beginning of period		21 043	(5 639 637)
Net cash and cash equivalents at end of period	23	405 808	21 043

MFOLOZI MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2010

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statement
GRAP 3	Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions has been granted are disclosed below.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT

1.4 NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting - issued March 2005
GRAP 21	Impairment of Non-Cash-generating-assets - issued March 2009
GRAP 23	Revenue from Non-Exchange Transactions - issued February 2008
GRAP 24	Presentation of Budget Information - issued November 2007
GRAP 26	Impairment of Cash-generating-assets - issued March 2009
GRAP 103	Heritage Assets - issued July 2008
IAS 19	Employee Benefits - effective 1 January 2009
IFRIC 17	Distribution of Non-cash Assets to Owners - effective 1 July 2009

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. **Land** is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure Assets		Other Assets	
Roads and Paving	30 years	Buildings	30 years
Stormwater Drainage	20 years	Specialist vehicles	10 years
Community Assets		Other vehicles	5 years
Buildings	30 years	Office equipment	3-7 years
Recreational Facility	20-30 years	Furniture and fittings	7-10 years
Security	5 years	Bins and containers	5 years
Community Halls	30 years	Specialised plant and equipment	10-15 years
Libraries	30 years	Landfill sites	15 years
Parks and gardens	10 years	Computer equipment	3 years
Finance Lease Assets			
Office equipment	4 years		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Mfolozi Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of property, plant and equipment as set out in paragraph 73 to 83.

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset's given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Mfolozi Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of Intangible Assets as set out in paragraph 110 to 118.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period.

5 NON-CURRENT ASSETS HELD FOR SALE

5.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

5.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

6 FINANCIAL INSTRUMENTS

6.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

6.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

6.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

6.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

6.2.3 FINANCIAL LIABILITIES: ACCOUNTS PAYABLE

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

6.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

7 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

11 LEASES

11.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

11.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

12 REVENUE

12.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

12.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

13 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

14 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

15 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

16 TRANSITIONAL PROVISIONS

Mfolozi Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 12	Inventories - paragraphs 45-52
GRAP 13	Leases - paragraphs 55-60
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102	Intangible Assets - paragraph 110-118

MFOLOZI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
1 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash at bank	390 082	21 043
Nedbank Account	-	
Housing Account	-	-
Traffic fines account	15 726	-
	<u>405 808</u>	<u>21 043</u>

The Municipality has the following bank accounts

Current Account (Primary Bank Account)

Absa Bank Limited - Durban Branch Account Number 40-5385-7155

Cash book balance at beginning of year	<u>21 043</u>	<u>5 639 637</u>
Cash book balance at end of year	<u>390 082</u>	<u>21 043</u>
Bank statement balance at beginning of year	<u>104 102</u>	<u>(1 844 241)</u>
Bank statement balance at end of year	<u>104 102</u>	<u>104 102</u>

Current Account (Primary Bank Account)

Absa Bank Limited - Durban Branch Account Number 40-5385-7155

Cash book balance at beginning of year	<u>-</u>	<u>-</u>
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	<u>-</u>	
Bank statement balance at end of year	<u>-</u>	<u>-</u>

Current Account - Traffic Fines

Absa Bank Limited - Durban Branch Account Number 40-6506-2322

Cash book balance at beginning of year	<u>-</u>	
Cash book balance at end of year	<u>15 606</u>	<u>-</u>
Bank statement balance at beginning of year	<u>-</u>	<u>-</u>
Bank statement balance at end of year	<u>15 606</u>	<u>-</u>

Current Account - Housing

Absa Bank Limited - Durban Branch Account Number 40-6506-2322

Cash book balance at beginning of year	<u>-</u>	
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	<u>-</u>	
Bank statement balance at end of year	<u>-</u>	<u>-</u>

MFOLOZI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
<i>Trade receivables</i>	Gross Balances	Provision for Doubtful Debts	Net Balance
	R	R	R
as at 30 June 2010			
Service debtors			
Rates	2 107 575	-	2 107 575
Total	2 107 575	-	2 107 575
as at 30 June 2009			
Service debtors			
Rates	2 118 118	-	2 118 118
Total	2 118 118	-	2 118 118

Rates: Ageing

Current (0 – 30 days)	313 127	156 974
31 - 60 Days	183 788	114 217
61 - 90 Days	159 510	88 490
91 - 120 Days	86 827	82 333
121 - 365 Days	173 565	216 208
+ 365 Days	1 190 758	1 459 896
Total	2 107 575	2 118 118

Summary of Debtors by Customer Classification

	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2010			
Current (0 – 30 days)	78 282	225 451	9 394
31 - 60 Days	45 947	132 328	5 514
61 - 90 Days	39 877	114 847	4 785
91 - 120 Days	21 707	62 516	2 605
+ 365 Days	303 512	1 024 388	36 422
Sub-total	489 325	1 559 530	58 720
Less: Provision for doubtful debts			
Total debtors by customer classification	489 325	1 559 530	58 720

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other debtors	-	24 258
Total Other Debtors	-	24 258

MFOLOZI MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2010

Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
as at 1 July 2009	497 424	1 590 000	7 705 152	7 779 271	3 904 086	-	21 475 933
Cost/Revaluation	733 155	1 590 000	9 336 712	8 942 079	7 245 252	-	27 847 198
Correction of error							-
Change in accounting policy							-
Accumulated depreciation and impairment losses	(235 731)	-	(1 631 560)	(1 162 809)	(3 341 166)	-	(6 371 265)
Acquisitions	-	343 828	3 633 150	11 683 988	204 785	-	15 865 750
Capital under Construction	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Other movements*	-	-	-	-	4 999	-	4 999
as at 30 June 2010	497 424	1 933 828	11 338 302	19 463 258	4 108 871	-	36 119 859
Cost/Revaluation	733 155	1 933 828	12 969 862	20 626 067	7 450 037	-	43 712 949
Accumulated depreciation and impairment losses	(235 731)	-	(1 631 560)	(1 162 809)	(3 341 166)	-	(6 371 265)

[App B'IA1](#)

MFOLOZI MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2009

Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
as at 1 July 2008	537 491	1 590 000	8 028 896	8 078 985	4 673 419	-	22 908 790
Cost/Revaluation	733 155	1 590 000	9 336 712	8 942 079	7 170 338	-	27 772 284
Correction of error							-
Change in accounting policy							-
Accumulated depreciation and impairment losses	(195 664)	-	(1 307 816)	(863 095)	(2 496 919)	-	(4 863 494)
Acquisitions	-	-	-	-	316 709	-	316 709
Capital under Construction	-	-	-	-	-	-	-
Depreciation	(40 067)	-	(323 744)	(299 714)	(1 037 716)	-	(1 701 241)
Carrying value of disposals	-	-	-	-	(241 795)	-	(241 795)
Cost/Revaluation	-	-	-	-	(241 795)	-	(241 795)
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	193 469	-	193 469
Transfers	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-
as at 30 June 2009	497 424	1 590 000	7 705 152	7 779 271	3 904 086	-	21 475 933
Cost/Revaluation	733 155	1 590 000	9 336 712	8 942 079	7 245 252	-	27 847 198
Accumulated depreciation and impairment losses	(235 731)	-	(1 631 560)	(1 162 809)	(3 341 166)	-	(6 371 265)

[App B1A1](#)

MFOLOZI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
4 VAT RECEIVABLE			
VAT receivable		3 060 127	12 108
5 PROPERTY , PLANT AND EQUIPMENT			
Property, plant and equipment		36 119 859	21 475 933
6 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		9 478 730	11 934 998
Leave and Bonus Accruals		668 581	1 432 810
Other creditors		9 493 249	5 900 267
Total creditors		19 640 560	19 268 074
The fair value of trade and other payables approximates their carrying amounts.			
7 PAYMENTS RECEIVED IN ADVANCE			
Payments received in advance - Debtors with credit balances.		218 513	-
8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
Unspent Conditional Grants from National Government		1 662 169	2 730 141
MIG Grants		1 662 169	2 213 264
FMG		-	125 784
Unspent Conditional Grants from Provincial Government		2 470 846	325 000
MAP- Admin capacity		484 854	-
MAP- Salgina Crescent		1 461 129	
Sport and Recreation		524 863	325 000
			-
Total Unspent Conditional Grants and Receipts		4 133 015	3 055 141
NATIONAL GOVERNMENT GRANTS			
MIG Grant			
Balance unspent at beginning of year		2 213 264	
Prior year adjustments			
Current year receipts		10 951 000	6 759 000
Conditions met - transferred to revenue		(11 502 096)	
All conditions met and Grant Overspent		1 662 169	2 213 264

MFOLOZI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
FMG Grant (Previous Financial Year)		
Balance unspent at beginning of year	125 784	125 784
Prior year adjustments		
Current year receipts	750 000	500 000
Conditions met - transferred to revenue	(875 784)	(500 000)
All conditions met and Grant Overspent	<u>-</u>	<u>125 784</u>
MSIG (Current Financial Year)		
Balance unspent at beginning of year	-	
Prior year adjustments		
Current year receipts	735 000	735 000
Conditions met - transferred to revenue	(735 000)	(735 000)
All conditions met and Grant Overspent	<u>-</u>	<u>-</u>
Project Consolidate		
Balance unspent at beginning of year	391 093	391 093
Prior year adjustments		
Current year receipts		
Conditions met - transferred to revenue	(391 093)	
All conditions met and Grant Overspent	<u>-</u>	<u>391 093</u>
PROVINCIAL GOVERNMENT GRANTS		
MAP Administration		
Balance unspent at beginning of year	-	
Prior year adjustments		
Current year receipts	600 000	
Conditions met - transferred to revenue	(115 146)	
All conditions met and Grant Overspent	<u>484 854</u>	<u>-</u>
MAP Saligina road		
Balance unspent at beginning of year	-	
Prior year adjustments		
Current year receipts	5 457 000	
Conditions met - transferred to revenue	(3 995 871)	
All conditions met and Grant Overspent	<u>1 461 129</u>	<u>-</u>
Sport & Recreation Grant		
Balance unspent at beginning of year	325 000	-
Prior year adjustments		
Current year receipts	650 000	325 000
Conditions met - transferred to revenue	(450 137)	
All conditions met and Grant Overspent	<u>524 863</u>	<u>325 000</u>

MFOLOZI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
Notes15-61\IA291		
9 PROPERTY RATES		
<u>Actual</u>		
Residential	2 201 239	2 471 798
Commercial	-	-
Light Industries	-	-
Heavy Industries	-	-
State	-	-
Total property rates	2 201 239	2 471 798
Property rates - penalties imposed and collection charges	-	-
Total	2 201 239	2 471 798
10 SERVICE CHARGES		
Refuse removal	195 187	184 554
Total Service Charges	195 187	184 554
11 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	28 765	95 787
Other rentals - Staff	42 536	23 227
Total rentals	71 301	119 014
12 INTEREST EARNED - EXTERNAL INVESTMENTS		
Main Bank Account	86 930	60 014
Total interest	86 930	60 014
13 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	25 615 215	18 972 142
MIG Grant	11 502 096	6 759 000
FMG Grant	875 784	500 000
MSIG Grant	735 000	735 000
MAP Salgina	3 995 871	-
Sport and recreation	450 137	-
MAP- Admin capacity	115 146	-
Project Consolidate	391 093	-
Total Government Grant and Subsidies	43 680 342	26 966 142
14 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
Other income		-
SDL Refund	164 854	
Tender Monies	80 620	
Miscellaneous income	239 811	
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 50)	-	-
Total Other Income	485 285	-
Public contributions and donations		
Public contributions - Conditional	-	-
Public contributions - Unconditional	-	-
Donations	-	-
Total public contributions and donations	-	-

MFOLOZI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
15 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	8 533 376	7 626 527
Employee related costs - Contributions for UIF, pensions and medical aids	1 820 644	1 539 739
Travel, motor car, accommodation, subsistence and other allowances	1 261 919	263 229
Housing benefits	40 784	65 894
Overtime and Night Allowances	541 008	654 640
Performance and other bonuses	454 258	607 789
Other employee related costs	0	692 600
Total Employee Related Costs	12 651 990	11 450 418

There were no advances / loans to employees.

Remuneration of the Municipal Manager

Annual Remuneration	597 142	542 445
Travelling Allowance	386 389	232 476
Contributions to UIF	10 177	1 497
Total	993 708	776 418

Remuneration of the Chief Finance Officer

Annual Remuneration	443 745	403 099
Travelling Allowance	319 723	172 757
Contributions to UIF	7 987	1 497
Total	771 455	577 353

Remuneration of Individual Executive Directors - 2010

	Corporate Services	Technical Services
Annual Remuneration	507 138	507 138
Travelling Allowance	183 861	241 053
Contributions to UIF	7 041	8 338
Total	698 040	756 529

Remuneration of Individual Executive Directors - 2009

	Corporate Services	Technical Services
Annual Remuneration	577 353	577 353
Total	577 353	577 353

16 REMUNERATION OF COUNCILLORS

Mayor	189 708	266 791
Deputy Mayor	229 848	214 160
Speaker	229 765	218 154
Executive Committee Members	721 590	598 837
Councillors' allowances	3 006 383	2 783 287
Total Councillors' Remuneration	4 377 294	4 081 229

In-kind Benefits

The Mayor, is provided with an office and secretarial support at the cost of the Council. The Mayor has a full-time driver and bodyguard provided by the Council.

17 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	1 221 825	1 701 241
Intangible assets	-	-
Investment property carried at cost	-	-
Biological assets carried at cost	-	-
Total Depreciation and Amortisation	1 221 825	1 701 241

MFOLOZI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
18 FINANCE COSTS			
Bank overdrafts and Fruitless expenditure		134 119	619 541
Total Finance Costs		134 119	619 541
19 CONTRACTED SERVICES			
Contracted services for:			
<i>Security</i>		351 880	3 482 436
<i>Cleaning</i>			
		351 880	3 482 436
20 GENERAL EXPENSES			
Included in general expenses are the following:-			
Audit Committee		74 984	-
Advertising		141 439	160 011
Agency Fees		11 661	-
Archiving		6 679	-
Bank charges		54 246	67 218
Busaries		92 786	205 918
Cleaning services		172 082	17 654
Community Services		474 601	-
Contribution to research		67 937	430 096
Disaster Fund		14 911	-
Electricity & Water		398 909	-
Entertainment & Receptions		62 592	4 336
External Audit Fees		918 512	-
Fuel & Oil		479 454	302 796
Grants & Donations		193 495	-
HIV Awareness campaign		61 914	-
IDP Operating projects		192 278	-
Internal Audit		440 836	897 320
Inventory Items		534 828	-
KwaNaloga Games		219 503	-
LED		205 308	-
Legal Fees		38 049	222 315
Levies & Membership Fees		2 562	12 569
Licences		44 520	82 950
Materials		1 930 173	-
Mayoral Cup		130 719	-
Medical Examinations		1 650	-
Postal Services		10 996	17 663
Printing & Stationery		314 427	556 355
Professional Fees		1 828 852	-
Poverty Alleviation		246 158	-
Publicity		195 407	-
Zulu Dance		40 200	-
Purchase of Books		14 148	-
Refreshments		102 529	-
Refreshments Council		130 479	-
Rent- Copier		242 489	101 051
Rent- Vehicles		95 831	-
Sanitation		281 331	-
Seminars & Conferences		32 600	-
Small tools		18 398	-
Staff year-end function		16 200	-
Stores & Material		10 197	43 279
Subsistence & Travelling		475 967	472 508
Sundries		184 455	-
Telephone		623 376	577 144
Traffic Management		263 158	-
Training		239 907	133 100
Training- Councillors		220 076	-
Uniforms & Protective Clothing		32 005	41 822
Youth skills		188 600	-
Other			6 546 627

MFOLOZI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010	2009
	R	R
	12 387 811	10 892 732

MFOLOZI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
21 GAIN/(LOSS) ON SALE OF PROPERTY PLANT AND EQUIPMENT		
Property, plant and equipment	-	-
Total Gain / (Loss) on Sale of Assets	-	-
22 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	16 372 046	1 201 077
Adjustment for:-		
Depreciation and amortisation	1 221 825	-
(Gain) / loss on sale of assets	-	-
Contribution to provisions - non-current	-	
Contribution to provisions - current	991	8 665 109
Other non-cash item	-	
Operating surplus before working capital changes:	17 594 861	9 866 186
 (Increase)/decrease in inventories		
(Increase)/decrease in trade receivables	10 543	1 056 098
(Increase)/decrease in other receivables	24 258	2 953 892
(Increase)/decrease in VAT receivable	(3 048 019)	1 975 750
Increase/(decrease) in trade payables	372 486	15 352 419
Increase/(decrease) in consumer deposits	218 513	(8 464)
Increase/(decrease) in Unspent Conditional Grants	1 077 873	(8 204 984)
 Cash generated by/(utilised in) operations	(1 344 345)	22 990 898
23 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	15 726	-
Bank overdrafts	390 082	21 043
Net cash and cash equivalents (net of bank overdrafts)	405 808	21 043
24 CHANGE IN ACCOUNTING POLICY		
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:		
24.1 Statutory Funds		
Balance previously reported: -		
Capital Development Fund	-	3 434 787
Total	-	3 434 787
Implementation of GRAP		
Transferred to Accumulated Surplus/(Deficit)	-	3 434 787

MFOLOZI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
24.2 Property, plant and equipment			
Balance previously reported			26 181 184
Implementation of GRAP		-	26 181 184
Total		-	-

24.3 Accumulated Depreciation			
Balance previously reported -		-	
Implementation of GRAP			
Backlog depreciation		-	4 863 494
Total (debited to Accumulated Surplus/(Deficit)) (see 47.7 below)		-	4 863 494

24.4 Accumulated Surplus/(Deficit)			
Implementation of GRAP			
Transferred from statutory funds		-	3 434 787
Fair value of Property, Plant and Equipment.		-	
Backlog depreciation			4 863 494
Total		-	8 298 281

25 CORRECTION OF ERROR

	Balance Previously Reported	Correction	Restated Balance
The comparative amount has been restated as follows :			
Current Assets			
Cash and Cash Equivalents	-13 994 017	14 015 060	21 043
Trade and other Receivables from exchange transactions	1 838 814	279 304	2 118 118
Other receivables from non-exchange transactions	756 653	(731 404)	25 249
VAT receivable	1 578 155	(1 566 047)	12 108
Non-Current Assets			
Property, Plant and Equipment	18 364 768	3 111 165	21 475 933
Investment Property carried at cost	1 590 000	(1 590 000)	-
	<u>10 134 373</u>	<u>13 518 078</u>	<u>23 652 451</u>
Current Liabilities			
Trade and other payables from exchange transactions	26 726 761	(7 458 687)	19 268 074
Consumer Deposits	2 264	(2 264)	-
VAT payable	124 286	(124 286)	-
Payments received in advance	1 869 587	(1 869 587)	-
Unspent conditional grant	-6 632 195	9 687 336	3 055 141
Current provision	1 167 826	(1 167 826)	-
	<u>23 258 529</u>	<u>(935 314)</u>	<u>22 323 215</u>
Net effect on Accumulated surplus opening balance	<u>(13 124 156)</u>	<u>14 453 392</u>	<u>1 329 236</u>

MFOLOZI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
The comparative amount has been restated as follows:		
Expense	-	
Income	-	
Net effect on surplus/(deficit) for the prior year	-	-
Net effect on Accumulated surplus opening balance	-	
26 Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance		
Unauthorised expenditure current year	-	
Approved by Council or condoned		
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation	-	-
26.1 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	-	-
Fruitless and wasteful expenditure current year	295 934	610 115
Condoned or written off by Council	-	
Fruitless and wasteful expenditure awaiting condonement	295 934	610 115
PAYE,SDL & UIF were paid late to Sars resulting in interest and penalties.		
26.2 PAYE and UIF & SDL		
Amount unpaid at the beginning of the year	4 198 003	1 093 664
Current year payroll deductions and Council Contributions	2 765 444	2 430 921
Penalties and interests	295 934	673 417
Amount paid - current year	806 249	-
Balance unpaid (included in payables)	6 453 131	4 198 003
The balance represents PAYE and UIF deducted from the 01 July 2009 payroll. These amounts have not yet been paid.		
26.3 Pension and Medical Aid Deductions		
Current year payroll deductions and Council Contributions	2 306 882	2 349 427
Amount paid - current year	2 104 400	2 349 427
Balance unpaid (included in payables)	202 482	-

APPENDIX E(1)
MFOLOZI MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

Description	2009/2010 Actual	2009/2010 Budget	2009/2010 Variance	2009/2010 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property Rates	2 201 239	-	2 201 239	100.00	
Fines	1 920 606	-	1 920 606	100.00	
Licences and Permits	-	-	-	0.00	
Income for Agency Services	-	-	-	0.00	
Government Grants and Subsidies Received	43 680 342	-	43 680 342	100.00	Some projects included in the estimates still committed but not yet.
Service Charges	195 187	-	195 187	100.00	
Rental of Facilities and Equipment	71 301	-	-	0.00	
Interest Earned - External Investments	86 930	-	86 930	100.00	Revenue overestimated.
Other Income	485 285	-	485 285	100.00	
Gains on Disposal of Property, Plant and Equipment	-	-	-	0.00	
Profit on Sale of Land	-	-	-	0.00	
Total Revenue	48 640 890	-	48 569 589	#DIV/0!	
EXPENDITURE					
Employee Related Costs	12 651 990	-	12 651 990	100.00	Vacancies not filled.
Remuneration of Councillors	4 377 294	-	4 377 294	100.00	Estimates based on wrong grade.
Collection Costs	4 671	-	4 671	100.00	
Depreciation and Amortisation	1 221 825	-	1 221 825	100.00	Depreciation will only be applicable on complete implementation of GRAP 17
Impairment Losses	-	-	-	0.00	GRAP requirement not estimated for
Repairs and Maintenance	1 139 254	-	1 139 254	100.00	Urgent repairs caused over-expenditure
Finance Costs	134 119	-	134 119	100.00	
Grants and Subsidies Paid	#REF!	-	#REF!	#REF!	Increase in payments from equitable share
Contracted Services	351 880	-	351 880	100.00	
General Expenses	12 387 811	-	12 387 811	100.00	Operational projects of R9.7 million was wrongly included in the capital estimates
Bad Debts	-	-	-	0.00	
Total Expenditure	#REF!	-	#REF!	#REF!	
NET SURPLUS / (DEFICIT) FOR THE YEAR	#REF!	-	#REF!	#REF!	
	#REF!	-58 764 801			

MFOLOZI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land													
Land	132 152	-	-	-	132 152	-	-	-	-	-	-	-	132 152
Landfill Sites	601 003	-	-	-	601 003	(235 731)	-	-	-	(235 731)	-	-	365 272
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	733 155	-	-	-	733 155	(235 731)	-	-	-	(235 731)	-	-	497 424
Buildings	1 590 000	343 828	-	-	1 933 828	-	-	-	-	-	-	-	1 933 828
Infrastructure													
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	5 828 916	3 505 150	-	-	9 334 066	(1 015 341)	-	-	-	(1 015 341)	-	-	8 318 725
Sewerage Mains & Purification	122 648	-	-	-	122 648	(8 634)	-	-	-	(8 634)	-	-	114 014
Electricity Mains	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Infrastructure	3 042 161	128 000	-	-	3 170 161	(524 400)	-	-	-	(524 400)	-	-	2 645 761
Storm Water	342 987	-	-	-	342 987	(83 184)	-	-	-	(83 184)	-	-	259 802
	9 336 712	3 633 150	-	-	12 969 862	(1 631 560)	-	-	-	(1 631 560)	-	-	11 338 302
Community Assets													
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	548 125	1 920 682	-	-	2 468 807	(110 584)	-	-	-	(110 584)	-	-	2 358 223
Recreation Grounds	1 101 628	309 892	-	-	1 411 520	(103 260)	-	-	-	(103 260)	-	-	1 308 259
Civic Buildings	1 532 613	-	-	-	1 532 613	(348 366)	-	-	-	(348 366)	-	-	1 184 247
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	4 768 243	1 292 813	-	-	6 061 056	(527 783)	-	-	-	(527 783)	-	-	5 533 273
Creche	918 132	4 543 097	-	-	5 461 229	(68 221)	-	-	-	(68 221)	-	-	5 393 008
Schools	73 339	-	-	-	73 339	(4 595)	-	-	-	(4 595)	-	-	68 744
Pension paypoints	-	3 617 504	-	-	3 617 504	-	-	-	-	-	-	-	3 617 504
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
	8 942 079	11 683 988	-	-	20 626 067	(1 162 809)	-	-	-	(1 162 809)	-	-	19 463 258
Heritage Assets													
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	20 601 946	15 660 965	-	-	36 262 912	(3 030 099)	-	-	-	(3 030 099)	-	-	33 232 813

MFOLOZI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	20 601 946	15 660 965	-	-	36 262 912	(3 030 099)	-	-	-	(3 030 099)	-	-	33 232 813
Other Assets													
Office Equipment	346 437	-	-	-	346 437	(150 163)	-	-	-	(150 163)	-	-	196 274
Furniture & Fittings	1 132 459	-	-	-	1 132 459	(360 824)	-	-	-	(360 824)	-	-	771 634
Bins and Containers	38 169	-	-	-	38 169	(35 177)	-	-	-	(35 177)	-	-	2 992
Emergency Equipment	7 560	-	-	-	7 560	(3 595)	-	-	-	(3 595)	-	-	3 965
Motor vehicles	3 830 385	-	-	-	3 830 385	(1 726 138)	-	-	-	(1 726 138)	-	-	2 104 247
Kitchen Equipment	33 223	-	-	-	33 223	(12 975)	-	-	-	(12 975)	-	-	20 248
Maintenance Equipment	413 933	25 500	-	-	439 433	(108 515)	-	-	-	(108 515)	-	-	330 918
Computer Equipment	753 495	179 285	-	-	932 780	(619 490)	-	-	-	(619 490)	-	-	313 290
Computer Software (part of computer equipment)	169 984	-	-	-	169 984	(169 142)	-	-	-	(169 142)	-	-	842
Software	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	497 887	-	-	-	497 887	(137 926)	-	-	-	(137 926)	-	-	359 961
Software	21 720	-	-	-	21 720	(17 219)	-	-	-	(17 219)	-	4 999	9 500
	7 245 252	204 785	-	-	7 450 037	(3 341 166)	-	-	-	(3 341 166)	-	4 999	4 113 870
Finance Lease Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Under construction	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	27 847 198	15 865 750	-	-	43 712 949	(6 371 265)	-	-	-	(6 371 265)	-	4 999	36 119 859

MFOLOZI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land													
Land	132 152	-	-	-	132 152	-	-	-	-	-	-	-	132 152
Landfill Sites	601 003	-	-	-	601 003	(195 664)	(40 067)	-	-	(235 731)	-	-	365 272
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	733 155	-	-	-	733 155	(195 664)	(40 067)	-	-	(235 731)	-	-	497 424
Buildings	1 590 000	-	-	-	1 590 000	-	-	-	-	-	-	-	1 590 000
Infrastructure													
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	5 828 916	-	-	-	5 828 916	(823 325)	(192 015)	-	-	(1 015 341)	-	-	4 813 575
Sewerage Mains & Purification	122 648	-	-	-	122 648	(4 546)	(4 088)	-	-	(8 634)	-	-	114 014
Electricity Mains	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Infrastructure	3 042 161	-	-	-	3 042 161	(413 910)	(110 491)	-	-	(524 400)	-	-	2 517 761
Storm Water	342 987	-	-	-	342 987	(66 035)	(17 149)	-	-	(83 184)	-	-	259 802
	9 336 712	-	-	-	9 336 712	(1 307 816)	(323 744)	-	-	(1 631 560)	-	-	7 705 152
Community Assets													
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	548 125	-	-	-	548 125	(92 313)	(18 271)	-	-	(110 584)	-	-	437 541
Recreation Grounds	1 101 628	-	-	-	1 101 628	(66 540)	(36 721)	-	-	(103 260)	-	-	998 367
Civic Buildings	1 532 613	-	-	-	1 532 613	(297 279)	(51 087)	-	-	(348 366)	-	-	1 184 247
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	4 768 243	-	-	-	4 768 243	(369 809)	(157 973)	-	-	(527 783)	-	-	4 240 460
Creche	918 132	-	-	-	918 132	(35 003)	(33 218)	-	-	(68 221)	-	-	849 912
Schools	73 339	-	-	-	73 339	(2 150)	(2 445)	-	-	(4 595)	-	-	68 744
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
	8 942 079	-	-	-	8 942 079	(863 095)	(299 714)	-	-	(1 162 809)	-	-	7 779 271
Heritage Assets													
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	20 601 946	-	-	-	20 601 946	(2 366 575)	(663 525)	-	-	(3 030 099)	-	-	17 571 847

MFOLOZI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	20 601 946	-	-	-	20 601 946	(2 366 575)	(663 525)	-	-	(3 030 099)	-	-	17 571 847
Other Assets													
Office Equipment	333 194	13 243	-	-	346 437	(106 797)	(43 366)	-	-	(150 163)	-	-	196 274
Furniture & Fittings	925 011	207 448	-	-	1 132 459	(266 715)	(94 109)	-	-	(360 824)	-	-	771 634
Bins and Containers	38 169	-	-	-	38 169	(30 253)	(4 924)	-	-	(35 177)	-	-	2 992
Emergency Equipment	6 960	600	-	-	7 560	(2 899)	(696)	-	-	(3 595)	-	-	3 965
Motor vehicles	4 072 180	-	(241 795)	-	3 830 385	(1 299 491)	(620 116)	-	193 469	(1 726 138)	-	-	2 104 247
Kitchen Equipment	31 295	1 928	-	-	33 223	(8 771)	(4 204)	-	-	(12 975)	-	-	20 248
Maintenance Equipment	397 350	16 583	-	-	413 933	(68 780)	(39 735)	-	-	(108 515)	-	-	305 418
Computer Equipment	693 807	59 688	-	-	753 495	(473 617)	(145 873)	-	-	(619 490)	-	-	134 005
Computer Software (part of computer equipment)	169 984	-	-	-	169 984	(143 207)	(25 935)	-	-	(169 142)	-	-	842
Diff between AFS & TB		-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	480 668	17 219	-	-	497 887	(84 856)	(53 070)	-	-	(137 926)	-	-	359 961
Software	21 720	-	-	-	21 720	(11 533)	(5 686)	-	-	(17 219)	-	-	4 501
	7 170 338	316 709	(241 795)	-	7 245 252	(2 496 919)	(1 037 716)	-	193 469	(3 341 166)	-	-	3 904 086
Finance Lease Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	27 772 284	316 709	(241 795)	-	27 847 198	(4 863 494)	(1 701 241)	-	193 469	(6 371 265)	-	-	21 475 933

MFOLOZI MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive & Council										
Finance & Admin										
Planning & Development										
Health										
Community & Social Services										
Public Safety										
Sport & Recreation										
Environmental Protection										
Waste Management										
Road Transport										
Water										
Electricity										
Other										
Total	-	-	-	-	-	-	-	-	-	-

for the year ended 30 June 2010											
2009		2009		2009		2010		2010		2010	
Actual Income		Actual Expenditure		Surplus / (Deficit)		Actual Income		Actual Expenditure		Surplus / (Deficit)	
R		R		R		R		R		R	
-	-	-	-	-	Executive & Council	-	-	-	-	-	-
-	-	-	-	-	Finance & Admin	-	-	-	-	-	-
-	-	-	-	-	Corporate Services	-	-	-	-	-	-
-	-	-	-	-	Planning & Development	-	-	-	-	-	-
					Other						
-	-	-	-	-		-	-	-	-	-	-
-	-	-	-	-	Less: Inter-Department Charges	-	-	-	-	-	-
-	-	-	-	-	Total	-	-	-	-	-	-

APPENDIX E(2)
MFOLOZI MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

Description	2009/2010	2009/2010	2009/2010	2009/2010	2009/2010	2009/2010	Explanation of Significant Variances greater than 5% versus Budget
	Actual	Under Construction	Total Additions	Budget	Variance	Variance	
	R	R	R	R	R	%	
Executive and Council	-	-	-	1 309 346	(1 309 346)	(100.00)	Some operational expenditure was included in the capital estimates and accordingly the expenditure was recorded on the operational expenses and resulted in under-expenditure on the capital estimates but over expenditure on the operational account. See Appendix (E1)
Finance and Administration	1 954 072	-	1 954 072	5 980 698	(4 026 626)	(67.33)	
Planning and Development	1 239 348	-	1 239 348	9 633 675	(8 394 326)	(87.14)	
Community and Social Services	-	-	-	2 104 346	(2 104 346)	(100.00)	
Roads and Transport	17 486 881	716 205	18 203 086	45 004 346	(26 801 260)	(59.55)	
Total	20 921 475	716 205	21 637 680	64 032 411	(42 394 731)	(66.21)	

APPENDIX F
MFOLOZI MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Compliance to Revenue Act (*) See below
		1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total	Yes / No
Equitable Share	Nat Treasury	10 275 435	8 220 681	953 837	6 165 262	25 615 215	6 403 804	6 403 804	6 403 804	6 403 804	25 615 215	Yes
MIG	Nat Treasury		2 000 000	8 951 000		10 951 000					0	Yes
FMG	Nat Treasury					0					0	Yes
MSIG	Nat Treasury					0					0	Yes
Project Consolidate	Province					0					0	Yes
MAP Admin capacity	Province			600 000		600 000				115 146	115 146	Yes
MAP Salgina crescent	Province			5 457 000		5 457 000			1 315 905	2 679 966	3 995 871	Yes
Sport & Recreation	Province		650 000			650 000	231 579	181 075	37 484	53 745	503 882	Yes
Other	Province					0					0	Yes
						0					0	
Total Grants and Subsidies Received		10 275 435	10 870 681	15 961 837	6 165 262	43 273 215	6 635 383	6 584 879	7 757 193	9 252 660	30 230 114	

(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue